

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-04

FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 DRC-01 /037 W

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R 182140Z OCT 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2415

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E.O. 11652: N/A

TAGS: EFIN, ENGR, PE

SUBJECT: TRANS-ANDEAN PIPELINE AND GOP

REF: STATE 224592, LIMA 8389

1. SUMMARY: EMBASSY OFFICER HELD LENGTHY DISCUSSIONS WITH COFIDE OFFICIALS OCTOBER 16 TO CLARIFY QUESTIONS POSED BY STATE 224592 IN REGARD TO EX-IM PARTICIPATION IN TRANS-ANDEAN PIPELINE PROJECT. COFIDE OFFICIALS EMPHASIZED THAT UNDER NO CIRCUMSTANCES DOES GOP TAKE EX-IM PARTICIPATION IN PIPELINE PROJECT FINANCING FOR GRANTED, AND HAS, IN FACT, MADE PLANS IN CASE EX-IM DECIDED NOT TO DO SO. THEY SAID THEY FULLY REALIZE THAT IT WILL BE NECESSARY TO FURNISH EX-IM WITH ECONOMIC, TECHNICAL, AND FINANCIAL JUSTIFICATION FOR THE PROJECT WHICH THEY HOPE TO PROVIDE AS SOON AS POSSIBLE. END SUMMARY.

2. SPECIFICALLY WITH REFERENCE TO EX-IM'S OCTOBER 3 TELEX, COFIDE OFFICIALS SAID THEY NOW REALIZE THAT THE DATA FROM SCIENTIFIC SOFTWARE DID NOT MEET EX-IM'S REQUIREMENTS. ACCORDINGLY, COFIDE HAS SUGGESTED TO PETROPERU THAT IT SIGN A CONTRACT WITH THE LEADING PETROLEUM CONSULTING FIRM DEGOLYER AND MACNAUGHTON TO REVIEW ALL DATA ON PROVEN AND RECOVERABLE OIL RESERVES. THE OFFICIALS SAID THEY BELIEVED

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THAT THE PROFESSIONAL WORK OF THIS COMPANY WOULD BE

ACCEPTABLE TO EX-IM.

3. COFIDE OFFICIALS ALSO PRESENTED EMBASSY OFFICER WITH LATEST (AND ROUGH) ESTIMATE OF TOTAL FOREIGN EXCHANGE COSTS FOR PIPELINE. FOLLOWING FIGURES REPRESENT COMMITMENTS FROM SOURCES INDICATED, AND COFIDE IS NOW IN PROCESS OF WORKING OUT SPECIFIC LOAN AGREEMENTS:

(IN \$ MILLIONS)		
COUNTRY	AMOUNT	LOAN SIGNED
JAPAN	230	YES
IRAN	100	NO
ARGENTINA	44	YES
WEST GERMANY	43	NO
CROCKER NATIONAL BANK	15	NO
PAGE COMMUNICATIONS	2	YES
USSR	7	YES
UK	15	NO
456 TOTAL COMMITTED		

OFFICIALS SAID THAT TOTAL FOREIGN EXCHANGE COSTS MAY RUN TO \$530-580 MILLION AND THAT THEREFORE PERU PRESENTLY LACKS APPROXIMATELY \$80-\$130 MILLION IN FOREIGN EXCHANGE FOR PIPELINE, DEPENDING ON HOW MUCH OF \$100 MILLION WORTH OF LOCAL COSTS HAS TO BE FINANCED BY FOREIGN LOANS. THEY SAID THAT IF POTENTIAL EX-IM FINANCING FOR U.S. GOODS AND SERVICES DOES NOT COVER REMAINING FOREIGN EXCHANGE COSTS, A LIKELIHOOD THEY READILY ADMIT, THEY HAVE ADDITIONAL LINES OF CREDIT FROM "THE ARABS" UPON WHICH THEY MIGHT DRAW. HOWEVER, THEY WOULD PREFER EX-IM FINANCING SINCE ITS RATES ARE MORE CONCESSIONAL THAN THE ARABS, AND THEY WOULD PREFER TO USE THE ARAB (THEY PRESUMABLY INCLUDE THE IRANIANS IN THIS TERM) MONEY FOR OTHER PROJECT.

4. COMMENT: COFIDE OFFICIALS REMAIN CAUTIOUSLY OPTIMISTIC THAT EX-IM MAY BE ABLE TO FINANCE PART OF COST OF PIPELINE, BUT MADE IT CLEAR NEITHER THEY NOR GOP ARE RELAYING ON EX-IM FINANCING. COFIDE CLEARLY RECOGNIZED THAT MATERIAL THEY SUBMITTED DID NOT LIMITED OFFICIAL USE

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DEMONSTRATE SUFFICIENT PROVABLE RESERVES AND THEY ARE THEREFORE SEEKING ANOTHER COMPANY TO PROVIDE THIS DATA. IT REMAINS AN OPEN QUESTION WHETHER PETROPERU WILL ACCEPT A CONTRACT WITH DEGOLYER AND MACNAUGHTON SINCE PETROPERU OFFICIALS DURING VISIT OF EX-IM OFFICIALS CRITICIZED THAT FIRM FOR ITS "PESSIMISTIC" FINDINGS. DEGOLYER AND MACNAUGHTON HAD BEEN USED BY OCCIDENTAL PREVIOUSLY AND APPARENTLY PRODUCED VERY MODERATE ESTIMATES OF OXY'S

RESERVES WHICH DISPLEASED PETROPERU. IN ANY CASE, WE HOPE
FOREGOING SETS RECORD STRAIGHT IN REGARD TO GOP'S INTEREST
IN AND EXPECTATIONS ABOUT EX-IM FINANCING. WE PLAN FOLLOW-UP
CLOSELY WITH COFIDE OFFICIALS AND WILL REPORT AS
DEVELOPMENTS WARRANT.
DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 18 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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30 JUN 2005

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